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DEPARTMENT FOR SCA/FO, SCA/A, S/CRS, EUR/RPM  
NSC FOR WOOD  
OSD FOR SHIVERS  
CENTCOM FOR CG CJTF-82, POLAD

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E.O. 12958: N/A  
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SUBJECT: KUNDUZ DAIRY FACTORY LOOKS FOR BUYER

¶1. (SBU) Summary: The Kunduz dairy factory, the largest example of private investment in the city since the fall of the Taliban, is contemplating a sale to a local investor. The USD 8 million factory has never been used due to high input costs, low market price for dairy products and limited demand.

¶2. (SBU) The Mountain Pastures Dairy Company is a Kazakh/American joint venture (75-25) with an approximate USD 8 million initial investment. Mountain Pastures's CEO, Liliana Cazacu, and COO, Marat Yessemov, are based in Almaty, Kazakhstan, but visit Kunduz regularly. The factory has a yearly capacity of 20,000 tons of re-hydrated milk or juice from concentrate (apple, cherry, mango and orange).

¶3. (SBU) The state of the art equipment and Kunduz-branded beverage containers have never been used. Production is uneconomical based both on costs of dried milk and the current market price of milk and juice. Cazacu noted that it was more profitable to sell dried milk then re-hydrate it and package and sell as processed. Demand and total market size is also limited. The lack of reliable power supply requires an expensive independent generator solution.

¶4. (SBU) The factory's management is looking for an exit strategy and is currently in discussions with three potential Afghan buyers for the factory. Cazacu suggested that it may be used for fresh milk or bottled water. She told us in a recent factory visit that a sale is likely within the next six months. An Afghan owner who focuses on fresh milk collection, has lower overhead due to absence of international staff, and brings local expertise (the previous leadership team rarely left the factory and had a poor understanding of the Afghan economic situation) may be able to find a way to make the factory profitable.

¶5. (SBU) The factory may be sold before even turning its lights on. Hopefully, an investor can find an economical utilization for the facility and create employment. Any investor will need to perform due diligence to honestly assess the size of market and product pricing. With the factory's location on the main road between Kunduz and the Afghan-Tajik bridge, the next owner may be able to exploit easier access to new Tajik markets. OPIC is currently looking at the possibility of financing U.S. investment in the plant. We anticipate follow up on that process in April.

WOOD